

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGR-01 /140 W
-----010922 090948Z /15

P 090916Z AUG 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 0240
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - AUG 3-9

1. SUMMARY: CONCERN ABOUT OUTLOOK FOR EXPORTS SPREADS
IN WAKE OF STRONG YEN APPRECIATION. MINISTRY OF FINANCE
(MOF) AND BANK OF JAPAN (BOJ) TO INVESTIGATE REPORTS OF
SPECULATIVE YEN PURCHASES BY FOREIGN MONETARY AUTHORITIES.
MONEY SUPPLY GROWTH QUICKENS IN JUNE AND IN SECOND
QUARTER. CONSTRUCTION ORDERS ALSO SHOW STRONG SECOND
QUARTER GAINS. BANKRUPTCIES IN JULY DOWN IN NUMBER, UP
SLIGHTLY IN VALUE. CAR REGISTRATIONS OFF A LITTLE IN
JULY BUT WELL OVER YEAR-EARLIER LEVEL. END SUMMARY.

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2. THE RUNUP OF THE YEN IN RECENT WEEKS HAS PROMPTED
INCREASED CONCERN THAT EXPORT PROSPECTS ARE BEING
SEVERELY CRIMPED. ACCORDING TO PRESS ACCOUNTS, EPA
ANALYSTS NOW BELIEVE EXPORT VOLUME FOR 1978 IS LIKELY TO
DIP AT LEAST 3 PCT ON A GNP BASIS RATHER THAN REMAINING
CONSTANT AS EPA HAD BEEN EXPECTING. (HOWEVER, THE
ORIGINAL GROWTH FORECAST FOR JFY 78 IS BELIEVED TO HAVE

BEEN FOR REAL EXPORTS TO RISE 2.9 PCT (SEE TOKYO 1700, FEB 1, 1978)). BASED ON THEIR LATEST CALCULATIONS, EPA OFFICIALS REPORTEDLY BELIEVE THE DETERIORATION OF EXPORT PROSPECTS WILL REQUIRE AN ADDITIONAL \$1 TRILLION YEN OF STIMULUS TO FINAL DEMAND TO OFFSET THE SHORTFALL FROM EXPORTS. IN THE SAME VEIN, BUT SEPARATELY, MITI GROUP CHARGED WITH EXERCISING SURVEILLANCE OF EXPORTS REPORTED THAT IT NOW EXPECTS EXPORT VOLUME IN JFY 78 WILL DROP 4.5 PCT (APPARENTLY IN CUSTOMS TRADE TERMS). CONCERN ABOUT EXPORT PROSPECTS WAS ALSO A MAIN THEME OF THE LATEST BOJ MONTHLY ECONOMIC REPORT, RELEASED AUG 9. THE BOJ REPORT NOTED THAT EXPORT VOLUME IS NOW DROPPING BELOW YEAR-EARLIER LEVELS AND WOULD ACT AS A DEPRESSANT ON INDUSTRIAL PRODUCTION. HOWEVER, THE BOJ NOTED THAT DOMESTIC ACTIVITY APPEARS TO BE EXPANDING STEADILY WITH PUBLIC SPENDING HAVE A PARTICULARLY STRONG IMPACT DURING THE SUMMER MONTHS. ECHOING A SIMILAR REFRAIN, KEIDANREN, CONCERNED ABOUT THE DEFLATIONARY EFFECTS OF THE HIGH YEN, DECIDED OFFICIALLY TO CALL ON THE GOVT FOR STIMULUS OF MORE THAN 3 TRIL YEN.

3. IN THE WAKE OF RECENT RAPID YEN APPRECIATION, THE MOF AND BOJ HAVE REPORTEDLY BEGUN AN INVESTIGATION INTO REPORTS THAT FOREIGN MONETARY AUTHORITIES HAVE BEEN MAKING SPECULATIVE PURCHASES OF YEN IN RECENT WEEKS. PRESS ACCOUNTS CITE MOF SOURCES AS SAYING THAT INCREASES IN FREE UNCLASSIFIED

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YEN ACCOUNTS DURING JULY TOTALED ABOUT \$1,500 MIL WITH MORE TJAN 10 TNT OF THIS BEING IDENTIFIABLY DUE TO DEPOSITS BY FOREIGN MONETARY AUTHORITIES AND POSSIBLY MORE IF DEPOSITS MADE IN OTHER NAMES ARE TAKEN INTO ACCOUNT. SINGAPORE AND KUWAIT WERE CITED AS EXAMPLES OF COUNTRIES THAT MIGHT BE ACQUIRING SUCH YEN. MOF OFFICIALS REPORTEDLY SAID THAT IF THESE TRANSACTIONS ARE FOUND TO BE OF A SPECULATIVE NATURE AND DETRIMENTAL TO THE STABILITY OF THE MARKET, THE MINISTRY WILL LODGE A PROTEST WITH THE FOREIGN MONETARY AUTHORITIES CONCERNED OR ASK THEM TO CURB THEIR ACTIVITY.

4. GROWTH IN MONEY SUPPLY, S.A., ACCELERATED BOTH IN JUNE AND APRIL-JUNE QUARTER. IN JUNE NARROWLY DEFINED MONEY, M-1 AND BROADLY DEFINED MONEY, M-2, RECORDED STRONG GAINS OF 2.4 PCT AND 1.4 PCT, RESPECTIVELY, AFTER FLATTENING OUT IN THE PRIOR MONTH. BANK LOANS AND DISCOUNTS ALSO RECOVERED, INCREASING 1.1 PCT AFTER A DECLINE OF 0.4 PCT IN MAY. DURING APRIL-JUNE QUARTER, GROWTH IN BOTH M-1 AND M-2 QUICKENED; M-2 WAS UP 3.8 PCT VERSUS 2.5 PCT IN THE FIRST QUARTER. BANK LOANS AND DISCOUNTS ALSO ACCELERATED BUT LESS RAPIDLY, UP 2.4 PCT IN THE SECOND

QUARTER.

MONEY AND CREDIT, END OF PERIOD, S.A.

- M-1 M-2 M-3 BANK LOANS AND DIS-
- (JEI 123) (JEI 126) (N/A) COUNTS (JEI 133)

RECENT MONTHS (IN BIL YEN; PCT CHANGE FROM PRIOR MONTH IN
PAREN)

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INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGR-01 /140 W
-----010989 090948Z /15

P 090916Z AUG 78

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 0241

TREASURY/DEP WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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APR 58,810 160,940 245,526 110,730
- (1.3) (2.2) (2.2) (1.2)

MAY 58,873 161,267 246,590 110,408
- (0.1) (0.2) (0.4) (-0.4)

JUNE 60,287 163,555 250,080 111,609
- (2.4) (1.4) (1.4) (1.1)

RECENT QUARTERS (PCT CHANGE FROM PRIOR QUARTER BASED ON
MONTHLY AVERAGE):

1977:

OCT-DEC 1.7 2.2 2.7 2.1

1978:

JAN-MAR 2.2 2.5 3.0 2.2

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APR-JUNE 3.5 3.8 4.2 2.4

5. NEW CONSTRUCTION ORDERS, S.A., FELL IN JUNE BUT FOR APR-JUN QUARTER AS A WHOLE WERE UP A STRONG 14 PCT. JUNE ORDERS WERE DOWN 4.3 PCT FROM THE PRIOR MONTH'S LEVEL AFTER RAPID ADVANCES IN PRECEDING TWO MONTHS. FOR APRIL-JUNE QUARTER, HOWEVER, INCREASE IN NEW CONSTRUCTION ORDERS WAS A STRONG 14 PCT (S.A.) AFTER A 7.1 PCT INCREASE IN THE FIRST QUARTER. STRONG UPSURGE IN THE SECOND QUARTER WAS PRIMARILY ATTRIBUTABLE TO PRIVATE SECTOR WHICH RECORDED AN 11.4 PCT INCREASE AFTER A SMALL DECLINE IN THE PRIOR QUARTER. ORDERS PLACED BY GOVT AND PUBLIC AGENCIES ALSO RECORDED A RESPECTABLE INCREASE OF 5.6 PCT ON TOP OF THE LARGE 20.9 PCT ADVANCE IN THE FIRST QUARTER. NEW CONSTRUCTION ORDERS, S.A. (IN BIL YEN; PCT CHANGE FROM PRIOR PERIOD IN PAREN):

-	GOVT/PUBLIC	PRIVATE	TOTAL
-	(JEI 324)	(JEI 325)	(JEI 323)

RECENT MONTHS:

APR 300.1(-3.0) 300.6 (13.9) 656.4 (12.0)

MAY(REV) 317.2 (5.7) 326.9 (8.7) 723.7 (10.3)

JUNE 316.6 (-0.2) 312.3 (-4.5) 692.3(-4.3)

RECENT QUARTERS (MONTHLY AVERAGE):

1977:

OCT-DEC 243.8(-13.9) 286.0 (10.6) 565.8 (-0.2)

1978:

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JAN-MAR 294.8 (20.9) 281.2 (-1.7) 605.9 (7.1)

1978:

APR-JUNE 311.3 (5.6) 313.3 (11.4) 690.8 (14.0)

6. BANKRUPTCIES, N.S.A., CONTINUED TO DECLINE IN JULY. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH COLLECT

STATISTICS PLACED BANKRUPTCY CASES IN JULY AT 1,291-1,292, N.S.A., DOWN 3 PCT FROM THE PRIOR MONTH'S LEVEL. THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCIES IN JULY, HOWEVER, ROSE BY 24 PCT TO \$1,055 MIL EQUIVALENT. JULY SHARP YEN VALUE HIKE WAS PRIMARILY ATTRIBUTED TO TWO LARGE-SCALE BANKRUPTCIES OF SHIPBUILDING COMPANIES REPORTED DURING THE MONTH. ON YEAR-OVER-YEAR COMPARISON, THE NUMBER OF BANKRUPTCY CASES DECLARED IN JULY 78 DECLINED 9 PCT WHILE LIABILITIES WEREUP BY 2 PCT.

7. NEW CAR REGISTRATIONS, S.A., DECLINED 4.2 PCT IN JULY FROM THE PRIOR MONTH'S LEVEL. THIS FOLLOWED THE RAPID REBOUND OF 10.2 PCT IN JUNE. ON YEAR-OVER-YEAR COMPARISON, HOWEVER, NEW CAR SALES CONTINUED TO GROW RAPIDLY, UP BY MORE THAN 20 PCT FOR THE THIRD STRAIGHT MONTH.

NEW CAR REGISTRATIONS, S.A.:

	THOUSAND CARS	PCT CHANGE	
		FROM PRIOR MO	FROM PRIOR YEAR
MAY	239.0	-2.0	22.7
JUNE	263.2	10.2	20.9
JULY	252.1	- 4.2	21.0

8. AVERAGE PROPENSITY TO SAVE OF WORKING HOUSEHOLDS, S.A., ROSE IN MAY TO 24.5 PCT OF DISPOSABLE INCOME.

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INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGR-01 /140 W
-----011001 090949Z /15

P 090916Z AUG 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 0242
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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AVERAGE PROPENSITY TO SAVE, S.A.; PCT OF DISPOSABLE
INCOME (JEI 363)

MARCH 21.9

APRIL 23.5

MAY 24.5

MANSFIELD

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Message Attributes

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